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Syndicate 44 Annual Report & Accounts

As at 31 December 2022

canopius

Contents

Syndicate 44

Directors and Professional Advisors

MANAGING AGENT:
Canopius Managing Agents Limited

Directors
N J Betteridge
P Ceurvorst*
M V Greenwood*
P F Hazell*
S Lacy
P Meader*
N D Robertson
K Roy Appointed 5 September 2022
M C Watson*

Former Directors who served during the year and prior to date of signing

M J Bishop	Resigned 30 June 2022
M P Duffy	Resigned 31 December 2022
I B Owen*	Resigned 31 December 2022
S A Willmont	Appointed 6 September 2022; Resigned 31 October 2022

* Non-Executive Director

Registered office
Floor 29
22 Bishopsgate
London
EC2N 4BQ

Managing Agent's registration No. 01514453

FCA firm registration No. 204847

SYNDICATE:

Run-off Management
Executive Responsible:
S Lacy

Run-off manager:
A Howarth

Syndicate: 44

Bankers
Barclays Bank PLC
Citibank N.A.

Independent Auditors
Ernst & Young LLP ("EY")
25 Churchill Place, Canary Wharf, London, E14 5EY

Report of the Directors of the Managing Agent

The directors of the Managing Agent, Canopius Managing Agents Limited ('CMA') present their report, which incorporates the strategic review, for the year ended 31 December 2022. The Syndicate's Managing Agent is a company registered in England and Wales.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102"), Financial Reporting Standard 103, "Insurance Contracts" and the Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Principal activity

The Syndicate's principal activity continues to be the transaction of term life insurance and reinsurance business as the Syndicate runs-off its business following the previous Managing Agent's, AmTrust Syndicates Limited ('ASL'), decision to cease underwriting at the end of 2018. With effect from 1 January 2019 the Syndicate was placed into run-off. The Syndicate capacity for the 2018 year of account was £20.0m.

Significant events

The sole remaining open year of account, 2018 did not close at 36, 48 or 60 months and remains open given the lack of either a successor year of account or a market for an external RITC.

Management continues to focus on those steps necessary to achieve closure of the Syndicate at the earliest opportunity.

It has become increasingly unlikely that Management's preferred option, a transfer of the Syndicate's remaining liability by means of a Part VII transfer, can be achieved. Therefore, whilst remaining open to any viable opportunities to complete a Part VII transfer, Management have looked to take steps to minimise the financial exposure of the capital provider and to take steps to curtail the length of time the Syndicate will remain on risk for its remaining policies.

The first objective has been achieved by means of a 100% Quota Share treaty with GenRe, effective from January 2021 and which continues until expiry of the Syndicate's last policy. During the year, with the agreement of GenRe, all of the Syndicate's existing reinsurance policies were commuted with nil impact on the result for the year.

The second objective is being progressed by securing agreed voluntary terminations with those policyholders who hold policies with the longest durations. This exercise has already commenced with policyholders in the Netherlands, where regulatory changes in 2023 also drive requirements. When this process concludes in the Netherlands, the Syndicate's last remaining policy will expire in 2029.

The provision for future expense reflects the fact that the Syndicate is likely to remain on risk for the remaining policies until they expire. Work continues to structure CMA's support to the Syndicate in the most efficient and cost effective way possible.

Results and performance – Key performance indicators ("KPIs")

Being in run-off, the Syndicate's key financial performance indicators had concerned claims developments, management of operating expenses, the adequacy of the run-off provision and the maintenance of sufficient liquidity to meet the Syndicate's obligations as they fall due. Following the reinsurance of the liabilities to the quota share reinsurer, the focus is now on the adequacy of the run-off provision and achieving closure of the Syndicate, this is monitored through regular Financial review, as such no KPI's have been presented.

A run-off provision has been included within the technical provisions of the Syndicate, Note 6, since the decision to place the Syndicate into run-off was made as of 31 December 2018. The provision represents Management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities. Management are confident that a solution to conclude the Syndicate's business will be found such that the provision is appropriate at the year end.

Report of the Directors of the Managing Agent

The table below presents the movement in the run-off provision during the year compared to the result for the period excluding the impact of investment income and foreign exchange gains and losses;

	£m
Run-off provision at 31 December 2021	(2.1)
Run-off provision at 31 December 2022	(1.7)
Movement in run-off provision during the year	0.4
Result excluding movement in run-off provision, investment income and foreign exchange	(0.4)
Result development	(0.1)

During the period the run-off provision decreased to reflect the likelihood that a Part VII transfer of the Syndicate's remaining policies will not be achievable and that the Syndicate will remain open until all policies expire. The Syndicate made a loss of £0.1m.

Cash, investments and overseas deposits

On a combined basis the Syndicate's funds decreased £1.4m from last year end following another year in run-off. Management closely monitors the Syndicate's cash flow projections, any net outflow in respect of claims will be reimbursed by the quota share reinsurer under the terms of the quota share arrangement. Additionally, up to £2 million of cash can be retained by the Syndicate as a claims float to ensure short term liquidity.

Member's balances

Amounts due from the member of £0.2m have decreased by £0.1m from 31 December 2021, following the 2022 calendar year loss.

Open year of account

The 2018 year of account, the sole remaining year of the Syndicate, remains open at 60 months with no successor year to close into and there being no market within Lloyd's for an external RITC of a Life syndicate. Management continues to work closely with the Syndicate's member to conclude the Syndicate's liabilities as soon as possible.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by Management, risk management and internal audit. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

Within CMA the governance structure ensures a clear definition of responsibility for the management and oversight of the risks faced by the business. CMA has an established Enterprise Risk Management ("ERM") framework that is designed to identify, assess, measure, mitigate, monitor and report all material financial and non-financial risk.

The key uncertainties facing the Syndicate are (i) the ultimate cost and timing of arrangements to conclude the Syndicate's business, including the future expenses associated therewith; and (ii) any additional costs incurred in complying with the regulatory framework following UK's withdrawal from the EU and the end of the transitional period.

A description of the principal risks and uncertainties facing the Syndicate is set out in note 4 to the financial statements (management of risk).

Future developments

CMA continues to manage actively the run-off of the Syndicate and seeks opportunities to conclude the Syndicate's liabilities at the earliest opportunity in order to achieve a positive outcome for its capital provider.

Going concern

With effect from 1 January 2019 the Syndicate ceased underwriting and was put into run-off. A run-off provision has been included within the Syndicate's technical provisions representing Management's best estimate of the expected future cost of finalising the Syndicate's liabilities. The Syndicate continues to trade as it manages claims made on in-force policies. Accordingly, these accounts have been prepared on a going concern basis.

Report of the Directors of the Managing Agent

Directors
The directors of the managing agents who served from 1 January 2022 to the date of this report are shown on page 3. None of the directors had an allocated premium limit on the Syndicate, on either an unlimited or limited liability basis, for the 2018 years of account.

Statement of disclosure of information to auditors
In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Statement of Managing Agent's Responsibilities
The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the managing agent to prepare syndicate annual accounts each year which give a true and fair view, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing those financial statements, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and
- Prepare the syndicate accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent confirms that it has complied with the above requirements in preparing the syndicate accounts. The directors of the managing agent are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate accounts comply with the 2008 Regulations. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent Auditors
During the year the managing agent appointed Ernst & Young LLP as the auditors for the Syndicate.

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

G Phillips
Group Chief Financial Officer
Canopius Managing Agents Limited

27 February 2023

Independent Auditor's Report to the Member of Syndicate 44

for the year ended 31 December 2022

Opinion

We have audited the syndicate annual accounts of syndicate 0044 ('the syndicate') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Audit Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk was considered to be higher within the valuation of the run-off provision within the long-term business provision.

  Our audit procedures included:
  - Reviewing accounting estimates for evidence of management bias. We assessed if there were any indicators of management bias in the valuation of the run-off provision within the long-term business provision.
  - Evaluating the business rationale for significant and/or unusual transactions.
  - Testing the appropriateness of journal entries recorded in the general ledger.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Member of Syndicate 44

for the year ended 31 December 2022

Use of our report

This report is made solely to the syndicate's member, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's member as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Blackmore (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 February 2023

Income Statement: Technical Account – Long Term Business

for the year ended 31 December 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5	118		(201)	
Outward reinsurance premiums		(118)		(12,264)	
Net premiums written			-		(12,465)
Earned premiums, net of reinsurance			-		(12,465)
Allocated investment return transferred from the non-technical account			1		1
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(654)		(2,736)	
Reinsurers' share		654		2,729	
Net claims paid			-		(7)
Change in the provision for claims					
Gross amount	6	(55)		621	
Reinsurers' share	6	55		821	
Change in the net provision for claims			-		1,442
Claims incurred, net of reinsurance			-		1,435
Changes in other technical provisions, net of reinsurance					
Long term business provision					
Gross amount	6	2,665		5,528	
Reinsurers' share	6	(2,296)		5,996	
			369		11,524
Net operating expenses	7		(425)		(601)
Balance on the technical account for long term business			(55)		(106)

The Syndicate has ceased trading forward and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

The accompanying notes form an integral part of the financial statements.

Income Statement: Non-technical Account

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Balance on the Technical Account - Long Term Business		(55)	(106)
Investment income	10	1	1
Allocated investment return transferred to the long term business technical account		(1)	(1)
Loss for the financial year		(55)	(106)

The accompanying notes form an integral part of the financial statements.

There is no other comprehensive income and consequently no Statement of Other Comprehensive Income has been presented.

Statement of Change in Member's Balances

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Member's balances brought forward at 1 January	(106)	(2,402)
Loss for the financial year	(55)	(106)
Receipt from member's personal reserve funds	-	2,402
Member's balances carried forward at 31 December	(161)	(106)

Members participate on syndicates by reference to years of account and the ultimate result therefrom. Assets and liabilities are allocated to members by reference to policies incepting in the year of account on which they participate.

Statement of Financial Position – Assets

at 31 December 2022

Assets	Note	2022	2022	2021	2021
		£'000	£'000	£'000	£'000
Investments					
Other financial investments	11		1,919		1,516
Reinsurers' share of technical provisions					
Long term business provision	6	8,497		10,497	
Claims outstanding	6	1,125		1,004	
			9,622		11,501
Debtors					
Debtors arising out of direct insurance operations	12	2,040		2,926	
Other debtors	13	112		138	
			2,152		3,064
Other assets					
Cash at bank and in hand		1,228		2,170	
Overseas deposits	14	1,096		1,982	
			2,324		4,152
Total assets			16,017		20,233

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position – Liabilities

at 31 December 2022

Liabilities	**Note**	**2022 £'000**	**2022 £'000**	**2021 £'000**	**2021 £'000**
Capital and reserves					
Member's balances			(161)		(106)
Technical provisions					
Claims outstanding	6	1,125		1,004	
Long term business provision	6	10,230		12,597	
			11,355		13,601
Creditors					
Creditors arising out of reinsurance operations	15	4,548		6,563	
Other creditors	16	275		175	
			4,823		6,738
Total liabilities			16,017		20,233

The accompanying notes form an integral part of the financial statements.

The annual accounts on pages 11 to 35 were approved by the Board of CMA on 27 February 2023 and were signed on its behalf by:

G Phillips
Group Chief Financial Officer
Canopius Managing Agents Limited

27 February 2023

Statement of Cash Flows

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Loss for the year	(55)	(106)
Adjustment for:		
Decrease in gross technical provisions	(2,246)	(6,430)
Decrease / (Increase) in reinsurers' share of gross technical provisions	1,879	(6,817)
Operating cash outflow before movement in working capital	(422)	(13,353)
Decrease in debtors	912	3,205
(Decrease) / Increase in creditors	(1,915)	2,347
Decrease in other assets	-	-
Investment return	(1)	(1)
Foreign exchange movements	(233)	2
Net cash outflow from operating activities	(1,659)	(7,800)
Cash flows from investing activities		
(Purchase) / Sale of other financial instruments	(403)	600
Investment income received	1	1
Increase / (Decrease) in overseas deposits	886	(82)
Net cash flow from investing activities	484	519
Net cash flow from financing activities:		
Receipt from/(Payment to) member in respect of underwriting participations	-	2,402
Foreign exchange	233	(2)
Net cash flow from financing activities	233	2,400
Net decrease in cash and cash equivalents	(942)	(4,881)
Cash and cash equivalents at 1 January	2,170	7,051
Cash and cash equivalents at 31 December	1,228	2,170

Notes to the Financial Statements

for the year ended 31 December 2022

1. Basis of preparation

The Syndicate is supported by a single corporate member of Lloyd's (AmTrust Corporate Member Two Limited) that underwrote business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

The financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss.

The financial statements are presented in Pound Sterling (GBP), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

The Syndicate ceased actively underwriting with effect from 1 January 2019. A run-off provision has been included within the technical provisions of the Syndicate representing Management's best estimate of the expected costs to be incurred in finalising the Syndicate's liabilities. The Syndicate continues to trade as it manages claims made on in-force policies. Accordingly, these accounts have been prepared on a going concern basis.

CMA will actively manage the run-off of the Syndicate and seek opportunities to conclude its liabilities at the earliest opportunity in order to achieve a positive outcome for its capital provider.

2. Use of judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions, related recoveries and the run-off provision included within the long-term business provision. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

The measurement of the long-term business provision involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The long-term business provision includes the estimated cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not as well as the expected costs required to conclude the Syndicate. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate. The whole account quota share provides certainty for the Syndicate with regard to claims balances but the cost of concluding the Syndicate's business within the long-term business provision remains Management's best estimate as at the balance sheet date.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs as well as the expected future costs in concluding the business of the Syndicate. For the most recent years, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 6.

3. Significant accounting policies

The following principal accounting policies have been applied consistently in accounting for items which are considered material in relation to the Syndicate's financial statements.

Gross premiums written

Premiums, including reinsurance premiums, are accounted for on inception. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts are also included within single premiums.

Portfolio premiums received are included within written premiums with all life premiums are earned once written. RITC premiums received from the transaction of inwards external RITC's are fully written in the year in which they incept. An assessment is performed at the date of acquisition of the fair value of the insurance liabilities assumed and insurance assets acquired in line with the Syndicate's accounting policies. Any adjustments to the fair value arising are not capitalised but are recorded within the technical account as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008).

Outwards reinsurance premiums

Written outwards reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to a re-measurement retrospectively, adjusted premiums are recognised as soon as there is an obligation to the reinsurer.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured within the parameters of the reinsurance contract terms.

Long-term business provision

The long term business provision is determined following an annual investigation of the long term fund in accordance with the requirements of EU Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision. The basis of calculation is as follows:

Individual Life - Reserves are calculated using the gross premium method. The principle for the calculation of the reserve is, for each policy separately, to calculate the discounted value of expected future claims less the discounted value of expected future premium as received by the Syndicate (i.e. net of commission) plus an allowance for expenses.

Group Life (including schemes) - The reserves are calculated as the unexpired proportion at the valuation date of the premium received net of commission. Additional reserves are included to allow for claims that have been incurred but not reported (IBNR) based on a reporting delay of eight to twelve weeks. Reserves are also held for some policies that have expired, but claims may still arise in the future due to reporting delays. The Syndicate actuary is satisfied that this method of reserving is prudent.

The provision for claims also includes amounts in respect of claims handling costs and a run-off provision. The run-off provision has been calculated as Management's best estimate of the expected future developments in finalising the Syndicate's liabilities.

Accordingly, the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding claims estimates are reasonable and that appropriate provision has been incorporated for the run-off of exposures to ultimate, particularly given the decreasing volume of exposures as the portfolio continues to run off.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information. Such provisions are subject to subsequent reassessment as changes to underlying factors such as mortality occur. These factors are discussed in more detail in note 6.

Net operating expenses (including acquisition costs)

Net operating expenses include acquisition costs and amounts charged to the member through the Syndicate.

Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay overrider commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this and other commissions are accrued and earned in line with the premium to which they relate and classified as acquisition costs.

Acquisition costs comprise costs arising from the conclusion of insurance contracts and include direct costs such as brokerage and commission. Acquisition costs incurred and not deferred are included in net operating expenses.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the Statement of Financial Position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Under FRS 103, insurance assets and insurance liabilities are deemed monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the technical account in line with the requirements for Life accounting.

Financial assets and liabilities

The Syndicate has elected to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities.

The Syndicate's investments comprise cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

Recognition:

Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

Initial Measurement:

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

Subsequent measurement:

All debt instruments are measured at fair value through the profit or loss.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business.

Derecognition of financial assets and liabilities:

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement:
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Managing Agent estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

FRS 102 section 34.22 provides the fair value hierarchy criteria upon which the financial instruments should be categorised, as defined below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Impairment of financial instruments measured at amortised cost or cost:
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Investment return
Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from syndicate investment income is recoverable by the Managing Agent and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the statement of financial position under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by the members on underwriting results.

Retirement benefit scheme costs

The Canopius Group service company operates a defined contribution retirement benefit scheme for all qualifying employees. Pension contributions relating to Managing Agency staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

4. Risk and capital management

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The Managing Agent's Risk Committee oversees the operation of the Syndicate's risk management framework and reviews and monitors the management of the risks to which the Syndicate is exposed. Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The principal risks and uncertainties facing the Syndicate are as follows:

Insurance Risk

i. Management of Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan.

The Syndicate makes use of reinsurance to eliminate the risk of incurring significant losses linked to one or multiple events.

ii. Concentration of Insurance Risk

The Syndicate's exposure to insurance risk is as shown by the following table which provides an analysis of the geographical breakdown of its gross written premiums by destination.

Territory	2022 £'000	2021 £'000
United Kingdom	72	(125)
Other Europe	12	(29)
Other Worldwide	34	(47)
Total	118	(201)

iii. Sensitivity to Insurance Risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the Syndicate.

	2022 £'000		2021 £'000	
	Gross	**Net**	**Gross**	**Net**
5% increase in total claims liabilities	(481)	-	(575)	-
5% decrease in total claims liabilities	481	-	575	-

iv. Claims development tables

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the ultimate value of claims. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date, related direct and indirect claims handling costs and, for the latest calendar year, the run-off provision representing Management's estimated future developments to be incurred in finalising the Syndicate's liabilities. Balances have been translated at exchange rates prevailing at 31 December 2022 in all cases. The entity chose not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied in line with a transitional provision (FRS 103.6.3).

Gross basis as at 31 December 2022:

Pure underwriting year	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**Total £'000**
Incurred gross claims							
At end of underwriting year	3,365	3,650	4,524	4,192	7,702	6,180	29,613
one year later	5,161	6,858	8,406	7,382	14,304	35,193	77,304
two years later	4,302	6,332	8,441	6,654	13,912	30,633	70,274
three years later	4,166	5,738	8,219	6,303	13,264	27,084	64,774
four years later	4,174	5,738	8,219	6,067	13,301	25,101	62,600
five years later	4,179	5,738	8,219	6,067	13,306	-	37,509
six years later	4,179	5,738	8,219	6,067	-	-	24,203
seven years later	4,179	5,738	8,219	-	-	-	18,136
eight years later	4,179	5,738	-	-	-	-	9,917
nine years later	4,179	-	-	-	-	-	4,179
Gross ultimate claims on premium earned to date	4,179	5,738	8,219	6,067	13,306	25,101	62,610
Less Gross claims paid	(4,179)	(5,738)	(8,219)	(6,067)	(13,297)	(13,755)	(51,255)
Gross claims reserves	**-**	**-**	**-**	**-**	**9**	**11,346**	**11,355**

Net basis as at 31 December 2022:

Pure underwriting year	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Incurred net claims							
At end of underwriting year	2,731	3,286	4,126	3,795	6,971	5,550	26,459
one year later	5,133	6,841	8,113	6,849	12,452	28,114	67,502
two years later	4,301	6,332	8,032	6,164	12,129	25,359	62,317
three years later	4,166	5,738	7,809	5,817	11,486	11,773	46,789
four years later	4,174	5,738	7,809	5,582	11,523	11,401	46,227
five years later	4,179	5,738	7,809	5,582	11,528	-	34,836
six years later	4,179	5,738	7,809	5,582	-	-	23,308
seven years later	4,179	5,738	7,809	-	-	-	17,726
eight years later	4,179	5,738	-	-	-	-	9,917
nine years later	4,179	-	-	-	-	-	4,179
Net ultimate claims on premium earned to date	4,179	5,738	7,809	5,582	11,528	11,401	46,237
Less net claims paid	(4,179)	(5,738)	(7,809)	(5,582)	(11,519)	(9,677)	(44,504)
Net claims reserves	**-**	**-**	**-**	**-**	**9**	**1,724**	**1,733**

Investment risk

Given the need to maintain liquidity and the relatively small amount of funds available the Syndicate's funds are held in cash and collective investment pools. The investment risk is low and related to market interest rates.

Financial Risk

The Syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. An analysis of the Syndicate's exposure to the significant components of financial risk is given below split between:

- (i) Market risk (including interest rate risk);
- (ii) Credit risk (including Fair Value Hierarchy);
- (iii) Currency risk; and
- (iv) Liquidity risk.

i. Market risk

Market risk arises from fluctuations in values of, or income from, assets or in interest or exchange rates and is derived primarily from the Syndicate's investment asset portfolio and from currency exposures. The Board has agreed an investment strategy commensurate with the Syndicate's risk appetite.

Interest rate risk

CMA manages sensitivity to market conditions by reference to interest rate risk. Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of change in the fair value of these assets is managed by solely investing in short-duration financial investments and cash and cash equivalents.

An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the table below.

	2022 Profit or loss for the year £'000	2022 Net assets £'000	2021 Profit or loss for the year £'000	2021 Net assets £'000
+ 50 basis points shift in yield curves	22	22	29	29
- 50 basis points shift in yield curves	(1)	(1)	(1)	(1)

ii. Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the Syndicate's ability to meet its claims as they fall due. The Syndicate has in place policies and procedures designed to manage its credit risk exposures. The Syndicate is exposed to credit risk in respect of the following:

- Listed investment pools
- Overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of participation in listed investment pools is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Reinsurance Committee which establishes standards applicable to all reinsurers and the reinsurance department which monitors the financial status of reinsurance debtors.

The Syndicate's exposure to intermediaries is monitored as part of the credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

Debtors arising out of direct operations are comprised of pipeline premiums, balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA') and amounts for business settled outside of Xchanging ('settled direct'). By their nature, it is not possible to classify these balances by credit rating.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Debtors arising from (re)insurance operations	**2022 £'000**	**2021 £'000**
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	-	-
91 to 180 days	-	-
More than 180 days	-	-
Past due but not impaired financial assets	**-**	**-**
Impaired financial assets	-	-
Neither past due nor impaired financial assets	**2,040**	**2,926**
Net carrying value	**2,040**	**2,926**

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by setting minimum credit worthiness of investments and ensuring diversification of the holdings.

An analysis of the Syndicate's major exposure to counterparty credit risk and credit risk with the investment funds and cash, based on Standard & Poor's or equivalent rating, is presented below. These assets are neither overdue nor impaired.

Notes to the Financial Statements

for the year ended 31 December 2022

The credit rating of the assets within the statement of financial position is as follows:

As at 31 December 2022	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments:						
Participation in investment pools	-	-	1,919	-	-	1,919
Overseas deposits	482	424	190	-	-	1,096
Reinsurers' share of outstanding claims	-	9,622	-	-	-	9,622
Debtors arising out of direct insurance operations	-	-	-	-	2,040	2,040
Cash at bank and in hand	-	-	1,228	-	-	1,228
Other Debtors and accrued income:						
Other debtors	-	-	-	-	112	112
Total	**482**	**10,046**	**3,337**	**-**	**2,152**	**16,017**

As at 31 December 2021	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments:						
Participation in investment pools	-	-	1,516	-	-	1,516
Overseas deposits	1,354	-	628	-	-	1,982
Reinsurers' share of outstanding claims	-	8,538	2,963	-	-	11,501
Debtors arising out of direct insurance operations	-	-	-	-	2,926	2,926
Cash at bank and in hand	-	-	2,170	-	-	2,170
Other Debtors and accrued income:						
Other debtors	-	-	-	-	138	138
Total	**1,354**	**8,538**	**7,277**	**-**	**3,064**	**20,233**

Fair Value Hierarchy

The Syndicate has classified its financial instruments in accordance with the requirements of paragraph 34.42 to the March 2018 amendment to FRS102 and has adopted an approach consistent with IFRS13, Fair Value Measurement. The fair value hierarchy classifies financial instruments into Level 1 to 3 based on the significance of the inputs used in measuring their fair value.

The levels within the fair value hierarchy are defined as follows:

Level 1	-	Based on unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement.
Level 2	-	Based on inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	-	Where inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The table below analyses financial instruments held at fair value in the Syndicate's statement of financial position at the reporting date by its level in the fair value hierarchy.

As at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Participation in investment pools	1,919	-	-	1,919
Overseas deposits	869	227	-	1,096
	2,788	227	-	3,015

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Participation in investment pools	1,516	-	-	1,516
Overseas deposits	1,520	462	-	1,982
	3,036	462	-	3,498

The participation in investment pools comprises the Lloyd's American Trust Fund (LATF). Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf.

iii. Currency risk

Policyholders' assets are held in five Lloyd's settlement currencies (Sterling, Euros, US dollars Norwegian Krone and Swiss Franc) which represent the Syndicate's liabilities by currency. Its presentation currency is Sterling and, therefore, foreign exchange risk also arises when non-Sterling profits are converted into Sterling.

CMA has a policy to mitigate foreign exchange risk and this policy is managed by the Finance team and overseen by the Finance Committee.

The Syndicate is exposed to foreign exchange risk primarily with respect to the Sterling, US dollars and Euro. The Syndicate mitigates this risk by endeavouring to match assets and liabilities in foreign currency.

Currency risk arises when the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated.

As at 31 December 2022	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
Total assets	7,362	2,351	3,528	2,776	16,017
Total liabilities	(7,841)	(5,406)	(1,770)	(1,161)	(16,178)
Net assets / (liabilities)	**(479)**	**(3,055)**	**1,758**	**1,615**	**(161)**

As at 31 December 2021	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
Total assets	8,667	3,673	4,680	3,213	20,233
Total liabilities	(8,919)	(6,572)	(3,114)	(1,734)	(20,339)
Net assets / (liabilities)	**(252)**	**(2,899)**	**1,566**	**1,479**	**(106)**

If the exchange rates of all non-GBP currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the member's balances would be £16k (2021: £80k).

The main currency rates of exchange are shown below:

	31 Dec 2022	**Average for 2022**	31 Dec 2021	Average for 2021
US $	1.20	1.24	1.37	1.28
Euro	1.13	1.17	1.12	1.13
Swiss Francs	1.11	1.18	1.21	1.20

iv. Liquidity risk

All valid claims must be paid as they fall due and, therefore, it is essential that the Syndicate maintains an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the Treasury team. The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities and its ongoing expenses

The Syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements.

The availability of liquidity in the event of a major loss event is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

The majority of the Syndicate's investments are in highly liquid assets which could be converted into cash promptly and at minimal expense. Cash and overseas deposits are generally bank deposits and money market funds.

In addition, the duration of assets is maintained at a level to manage liability durations and in recognition of the Syndicate's exposures. Greater levels of cash and/or liquid assets may be held when determined by market conditions and is considered appropriate by the Chief Investment Officer and the Board.

The table below summarises the maturity profile of the Syndicate's Statement of Financial Position based on the estimated timing of claims payments and other undiscounted contractual obligations.

			Undiscounted net cash flows			
As at 31 December 2022	**Carrying amount**	**Total cash flows**	Less than 1 year	1-3 years	3-5 years	More than 5 years
	£'000	**£'000**	£'000	£'000	£'000	£'000
Financial investments:						
Participation in investment pools	1,919	1,919	1,919	-	-	-
Overseas deposits	1,096	1,096	1,096	-	-	-
Reinsurers' share of outstanding claims	9,622	9,622	4,898	2,587	2,031	106
Debtors arising out of insurance and reinsurance operations	2,040	2,040	2,040	-	-	-
Cash at bank and in hand	1,228	1,228	1,228	-	-	-
Other debtors and accrued income:						
Other debtors	112	112	112	-	-	-
Total assets	**16,017**	**16,017**	**11,293**	**2,587**	**2,031**	**106**
Outstanding claims	11,355	11,355	5,780	3,053	2,397	125
Creditors arising out of insurance and reinsurance operations	4,548	4,548	4,548	-	-	-
Other creditors	275	275	275	-	-	-
Total liabilities	**16,178**	**16,178**	**10,603**	**3,053**	**2,397**	**125**
Net liabilities	**(161)**	**(161)**	**690**	**(466)**	**(366)**	**(19)**

As at 31 December 2021	Carrying amount	Total cash flows	Undiscounted net cash flows Less than 1 year	1-3 years	3-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments:						
Participation in investment pools	1,516	1,516	1,516	-	-	-
Overseas deposits	1,982	1,982	1,982	-	-	-
Reinsurers' share of outstanding claims	11,501	11,501	5,401	2,568	3,158	374
Debtors arising out of insurance and reinsurance operations	2,926	2,926	2,926	-	-	-
Cash at bank and in hand	2,170	2,170	2,170	-	-	-
Other debtors and accrued income:						
Other debtors	138	138	138	-	-	-
Total assets	**20,233**	**20,233**	**14,133**	**2,568**	**3,158**	**374**
Outstanding claims	13,601	13,601	6,387	3,037	3,735	442
Creditors arising out of insurance and reinsurance operations	6,563	6,563	6,563	-	-	-
Other creditors	175	175	175	-	-	-
Total liabilities	**20,339**	**20,339**	**13,125**	**3,037**	**3,735**	**442**
Net liabilities	**(106)**	**(106)**	**1,008**	**(469)**	**(577)**	**(68)**

Operational risk and Regulatory risk

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. CMA seeks to manage this risk through the use of detailed procedures manuals and regular reviews of systems and controls, and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide Management and the Board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Prudential Regulatory Authority ("PRA"), the Financial Conduct Authority ("FCA"), Lloyd's and those of overseas regulators in jurisdictions where Lloyd's syndicates are licensed to trade.

Regulatory risk is a key area of focus for the Risk and Compliance teams to ensure legislative and regulatory changes are understood and observed.

Conduct Risk is the risk that customers experience poor outcomes in their engagement with CMA and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's. CMA has a Conduct Oversight Group and Risk Committee which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Supplementing and informing the assessment of risk in the categories identified above, Management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

Capital management (excluding Funds at Lloyd's)

The Managing Agent's objectives in managing the capital of the Syndicate, consistent with the risk profile and the regulatory and market requirements of its business are:

- To match the profile of assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of the policyholders, regulators and rating agencies; and
- To manage exposure to movements in exchange rates.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with the Solvency II framework. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR to ultimate). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the Syndicates' SCR to ultimate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss to ultimate for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the combination of both is known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift was 35% of the member's SCR to ultimate.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (Funds in Syndicate), or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the Statement of Financial Position on pages 13 to 14, represent resources available to meet members' and Lloyd's capital requirements.

5. Segmental analysis

An analysis of the technical account result by business class before investment return is set out below:

	Note	2022 £'000	2021 £'000
Scheme	(a)	4	(15)
Binder		29	(111)
Individual		55	(59)
Group	(a)	30	(16)
Gross premium written	(b)	118	(201)
Gross premiums earned		118	(201)
Gross claims incurred		1,956	3,413
Net operating expenses		(425)	(601)
Reinsurance balance	(c)	(1,705)	(2,718)
Total		(56)	(107)

Total commissions on direct business (£126k) (2021: (£9k)

Notes:

(a) Group business written through a coverholder is included in the above table as scheme business.

(b) All premiums written are in respect of contracts concluded in the UK and are in respect of term life business and ancillary covers. An analysis of the geographical breakdown of written premiums by destination is included within note 4.

(c) The reinsurance balance comprises reinsurance recoveries less outward reinsurance premiums. All gross premiums written by the Syndicate are in respect of direct business.

6. Technical provisions

The Syndicate has applied a similar approach to establishing technical provisions for claims outstanding reserves and reinsurer's share thereof, as included within the Long-Term Business Provision, to that employed at the end of the previous year.

	2022 £'000	2021 £'000
LTBP Gross Reserves and Outstanding Claims		
At 1 January	13,601	20,031
Movement in provision	(2,610)	(6,149)
Foreign exchange	364	(281)
At 31 December	11,355	13,601
LTBP Reinsurers' Share of Reserves and Outstanding Claims		
At 1 January	11,501	4,684
Movement in provision	(2,241)	6,817
Foreign exchange	362	-
At 31 December	9,622	11,501
Net Long-Term technical provisions		
At 31 December	1,733	2,100
At 1 January	2,100	15,347

The basis of calculation of the long-term business provisions is as follows:

The long term business provision of individual life business is calculated based on the discounted value of expected future claims less discounted value of expected future premiums (net of commissions) plus allowance for expenses. The technical provisions have been calculated on actuarial bases considered most appropriate by the Board.

The portfolio of the Syndicate is too small to carry out a quantitative analysis of mortality experience. The assumptions used are based on standard industry tables, but with additional provision for uncertainty to ensure that the reserving basis remains prudent.

The principal assumptions underlying the calculation of the long term business provision are as follows:

	2022	2021
Mortality table	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.
Mortality rating	160% for Italian binder, 140% for Think Money, 150% for Leadenhall Polska, 200% for Pulse.	160% for Italian binder, 140% for Think Money, 150% for Leadenhall Polska, 200% for Pulse.
Discount rate	Nil	Nil
Allowance for negative reserves:	100%	100%

Long term business provisions for binder, group life and scheme business are calculated based on the unexpired premium at year end plus a claims ‘incurred but not reported’ reserve.

As the assets are all in cash, and we have used a zero discount rate, we have not considered it necessary to hold any additional resilience reserve. An increase in the discount rate would not impact the discounting on the long term business provision, as a zero per cent investment income is assumed and therefore no discounting is applied.

If a lower mortality rate were assumed to apply, the long term business provision would decrease. A 5% reduction in mortality would not decrease the liability materially.

The level of expenses included in the valuation is based on an assessment of the cost of running off the Syndicate’s existing business.

Notes to the Financial Statements

for the year ended 31 December 2022

7. Net operating expenses

	2022 £'000	2021 £'000
Acquisition costs – brokerage and commissions	8	253
Administrative expenses	599	530
(Gain)/loss on foreign exchange	(182)	(182)
	425	601

Administrative expenses include:

Auditors' remuneration:	2022 £'000	2021 £'000
Fees payable to the Syndicate's auditor for the audit of these financial statements	83	147
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	60	32
	143	179

The fees relating to the audit of the financial statements in 2022 were payable to the Syndicate's auditor EY LLP. The prior year's fee and amounts payable in relation to other services includes fees payable to the Syndicate's previous auditor KPMG LLP.

8. Staff numbers and costs

All staff are employed by the Canopius Group service company, Canopius Services Limited. The average number of persons working for the Syndicate during the year, analysed by category, was as follows:

	2022	2021
Finance and administration	2	1
Underwriting	-	-
Technical Support	1	1
	3	2

The following amounts were recharged to the Syndicate in respect of payroll costs:

	2022 £'000	2021 £'000
Wages and salaries	215	273
Social security costs	22	28
Other pension costs	17	21
	254	322

Notes to the Financial Statements

for the year ended 31 December 2022

9. Key management personnel compensation

The directors of CMA received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2022 £'000	2021 £'000
Emoluments	-	-
Contributions to defined contribution pension schemes	-	-
	-	-

The remuneration of no director was charged to the Syndicate (2021: 1).

Following cessation of the Syndicate, the Syndicate was charged a proportion of expense attributable to a Run-Off Manager.

	Run-Off Manager 2022 £'000	Run-Off Manager 2021 £'000
Emoluments	27	22
Contributions to defined contribution pension schemes	2	2
	29	24

10. Investment return

	2022 £'000	2021 £'000
Investment income:		
Total investment return transferred to the technical account from the non-technical account	1	1

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss	1	1
Total investment return	1	1

11. Financial investments

The carrying values of the Syndicate's financial assets are summarised by category below:

Financial assets	2022 £'000	2021 £'000
Measured at fair value through profit and loss		
• Investment pool	1,919	1,516
• Overseas deposits (see note 15)	1,096	1,982
	3,015	3,498
Measured at cost		
• Cash and cash equivalents	1,228	2,170
Measured at undiscounted amount receivable		
• Other debtors (see note 13)	112	138
Total financial assets	4,355	5,806

All investments are measured at fair value through profit or loss. The Syndicate did not hold any derivative financial instruments during the year (2021: none). The Syndicate does not enter into or trade instruments for speculative purposes.

12. Debtors arising out of direct insurance operations

	2022 £'000	2021 £'000
Due within one year		
Intermediaries	2,040	2,926
	2,040	2,926

13. Other debtors

	2022 £'000	2021 £'000
Due within one year:		
Tax debtor	112	138
	112	138

14. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under the direct control of the Managing Agency.

15. Creditors arising out of reinsurance operations

	2022 £'000	2021 £'000
Due within one year		
Intermediaries	4,548	6,563
	4,548	6,563

16. Other creditors

	2022 £'000	2021 £'000
Due within one year		
Balances with group companies	275	175
	275	175

17. Post balance sheet events

There are no material post balance sheet events that require disclosure in the annual report and accounts

18. Pension

CSL operates defined contribution pension schemes for the employees of CSL, including those working on the Syndicate's affairs during the year. The assets of the schemes are held separately from those of CSL in independently administered funds. The amounts recharged to the Syndicate from CSL in respect of pensions are disclosed in Note 8.

19. Related parties

Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members. The Managing Agent of the Syndicate is Canopius Managing Agents Limited ('CMA').

Throughout 2022 the expenses incurred in operating the Syndicate were incurred by the Canopius Group service company and recharged under an intragroup service agreement with CMA on a basis that reflected the Syndicate's usage of resources.

Group recharges are charged on a cost basis and predominantly represent recharges of staff costs for employees working on syndicate business as well as associated other administrative expenses including accommodation, professional fees and information technology. These recharges, included within amounts disclosed as net operating expenses, acquisition costs and claims incurred were as follows:

	2022 £'000	2021 £'000
Canopius Services Limited ('CSL')	550	700
Total expenses recharged	**550**	**700**

The following amounts were outstanding at 31 December 2022 and 31 December 2021:

	2022 £'000	2021 £'000
CSL	275	175
Total amount outstanding in relation to group recharges	**275**	**175**

CMA and CSL are both 100% subsidiaries of Canopius Holdings UK Limited ('CHUKL').

Member's expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than a calendar year basis. As the Syndicate ceased underwriting at the end of 2018, no managing agent's fee was charged by CMA in 2022 (2021: £nil).

Syndicate capital

Syndicate 44's entire capital is provided by AmTrust Corporate Member Two Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, an intermediate parent company of ASL.

Directors' interests

None of the directors or the run-off manager participate on the Syndicate.

20. Immediate and ultimate parent undertaking and controlling party

As at 31 December 2022, Syndicate 44 was managed by CMA and CMA's immediate UK parent is Canopius Holdings UK Limited ('CHUKL'), which is registered in England and Wales. CHUKL is part of Canopius Group Limited ('CGL') which is registered in Jersey.

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, Centerbridge Associates III, LP, CCP III Cayman GP Limited and CCP III SBS Cayman GP Limited.

21. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as FAL. These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that a member is required to maintain is determined by CMA and Lloyd's based on compliance with PRA requirements. The determination of the FAL requirement has regard to a number of factors including the nature and amount of insurance contracts to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since the assets in FAL are not owned by the syndicate, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.